



SATYA MICROCAPITAL LIMITED

Pricing Policy

Version 1.0

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Document review and approval

Revision history

Version	Author	Date	Revision

This document has been reviewed by

Reviewer	Date reviewed
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3	
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1. Objective

The policy aims at laying down guidelines and procedures involved to arrive at the interest rates charged from the customers and the cost of funds. The goals of this policy is to promote maximum employment, stable process and moderate interest rates. By implementing effective interest rate policy – SATYA MicroCapital can maintain stable prices, thereby supporting conditions for long term economic growth and maximum employment.

2. Applicability & Validity of the Policy

The policy will become applicable from such date as approved by the Board of Directors. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

3. Regulatory Reference

RBI vide its circular no. RBI/2015-16/20 DNBR (PD) CC.No.047/03.10.119/2015-16 has instructed all the NBFCs to adopt the necessary guidelines depending on the activity undertaken by them and ensure that a proper policy framework on 'Interest Rate' is formulated and put in place with the approval of the Board.

4. Pricing of Credit

In line with the RBI Directions, the Company has formulated Pricing of Credit policy which lays down the broad criteria for arriving at interest rate.

- i. The margin cap may not exceed 10 percent.
- ii. The interest rates charged by the company to its borrowers will be the lower of the following:
 - a) The cost of funds plus margin as indicated in para (i) above; or
 - b) The average base rate of the five largest commercial banks by assets multiplied by 2.75. The average of the base rates of the five largest commercial banks shall be advised by the Reserve Bank on the last working day of the previous quarter, which shall determine interest rates for the ensuing quarter.
- iii. The company will ensure that the average interest rate on loans during a financial year does not exceed the average borrowing cost during that financial year plus the margin, within the prescribed cap. Moreover, while the rate of interest on individual loans may exceed 26%, the

maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent. The average interest paid on borrowings and charged by the company will be calculated on average monthly balances of outstanding borrowings and loan portfolio respectively.

Note: The condition relating to the maximum variance permitted is not applicable to loans extended by the company against funding by National Scheduled Castes Finance & Development Corporation (NSFDC). Refer RBI Circular for their treatment.

- iv. Processing charges shall not be more than 1 % of gross loan amount. Processing charges need not be included in the margin cap or the interest cap.
- v. The company shall recover only the actual cost of insurance for group, or livestock, life, health for borrower and spouse. Administrative charges where recovered, shall be as per IRDA guidelines.

5. Cost of Funds

The company will take into consideration the following components to arrive at the cost of funds:

- I. Interest paid to lenders,
Syndication Fees paid to various Consultants,
Processing Fees paid to various Financial Institutions (FI's)
- II. Average amount of outstanding borrowings from financial institutions at the beginning of the period and end of the period, for which cost of funds is being calculated.

Note: For better and more precise measure, the period should not exceed one year and should not be less than one month.

$$\text{Cost of Funds} = \frac{\text{I}}{\text{II}} \times 100$$

6. Glossary

Abbreviation	Description
FI	Financial Institution
IRDA	Insurance Regulatory and Development Authority
NSFDC	National Scheduled Castes Finance & Development Corporation
RBI	Reserve Bank Of India